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March 20, 1976

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DIA and DOS review(s) completed.

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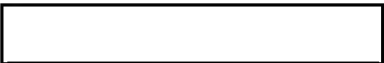
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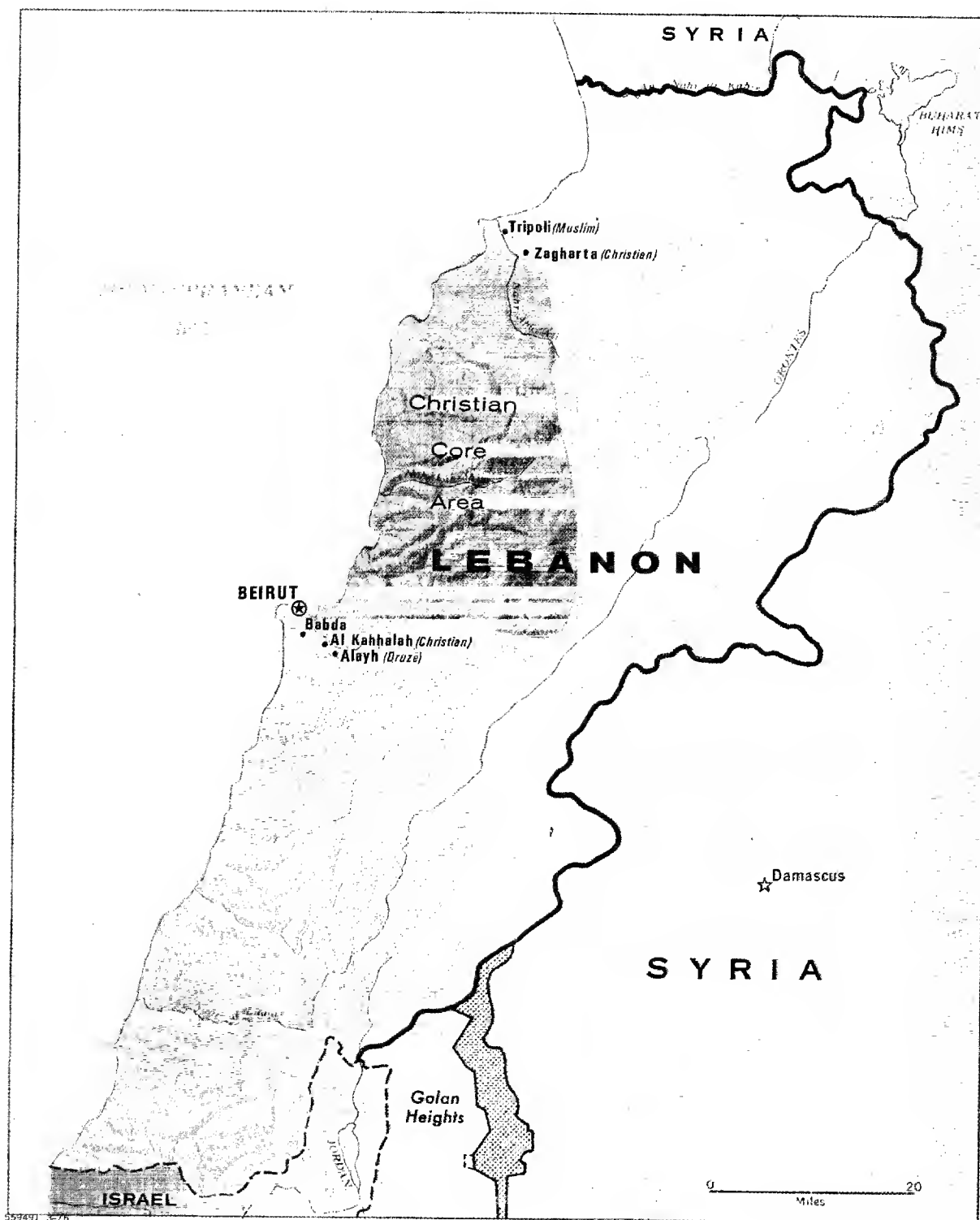


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LEBANON

Fighting increased throughout Lebanon late this week as it became apparent that it may take some time to negotiate the replacement of President Franjiyah.

The most serious clashes have occurred just east of the presidential palace at Babda. Pro-Franjiyah forces holding the Christian village of Al Kahhalah have for two days exchanged fire with Muslim and leftist followers of Kamal Jumblatt, who hold the Druze village of Alayh.

The US embassy reports that continued fighting in this area could lead to an exodus of Christians to the secure Christian enclave to the north. This would represent the spread of de facto partition to an important rural area of mixed population which has been largely exempt from serious fighting.

Jumblatt is primarily responsible for the continued clashes near the presidential palace. He is the only significant politician not yet reconciled to the latest Syrian peace initiative, and appears determined to force all parties to accept a weak Maronite successor to Franjiyah.

Brigadier Ahdab's political and military influence has been reduced almost to nothing in the week since he announced his coup. The US defense attache in Beirut reports, in fact, that Ahdab has virtually no forces under his direct command. Both Jumblatt and Fatah leader Yasir Arafat remain sympathetic to Ahdab's cause, however, if not to Ahdab. The three share a desire to minimize Syria's influence in Lebanon.

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RHODESIA

Prime Minister Ian Smith and black nationalist leader Joshua Nkomo announced yesterday, after a brief meeting in Salisbury, that they have broken off the settlement negotiations that they have been engaged in since last December. Apparently Nkomo refused to continue their meetings because Smith had persistently evaded a commitment to any definite time frame for a transfer of power to the black majority.

Following a prolonged session with Smith earlier this week, Nkomo visited Lusaka on Thursday to inform Zambian President Kaunda that he had decided to break off the talks. [REDACTED]

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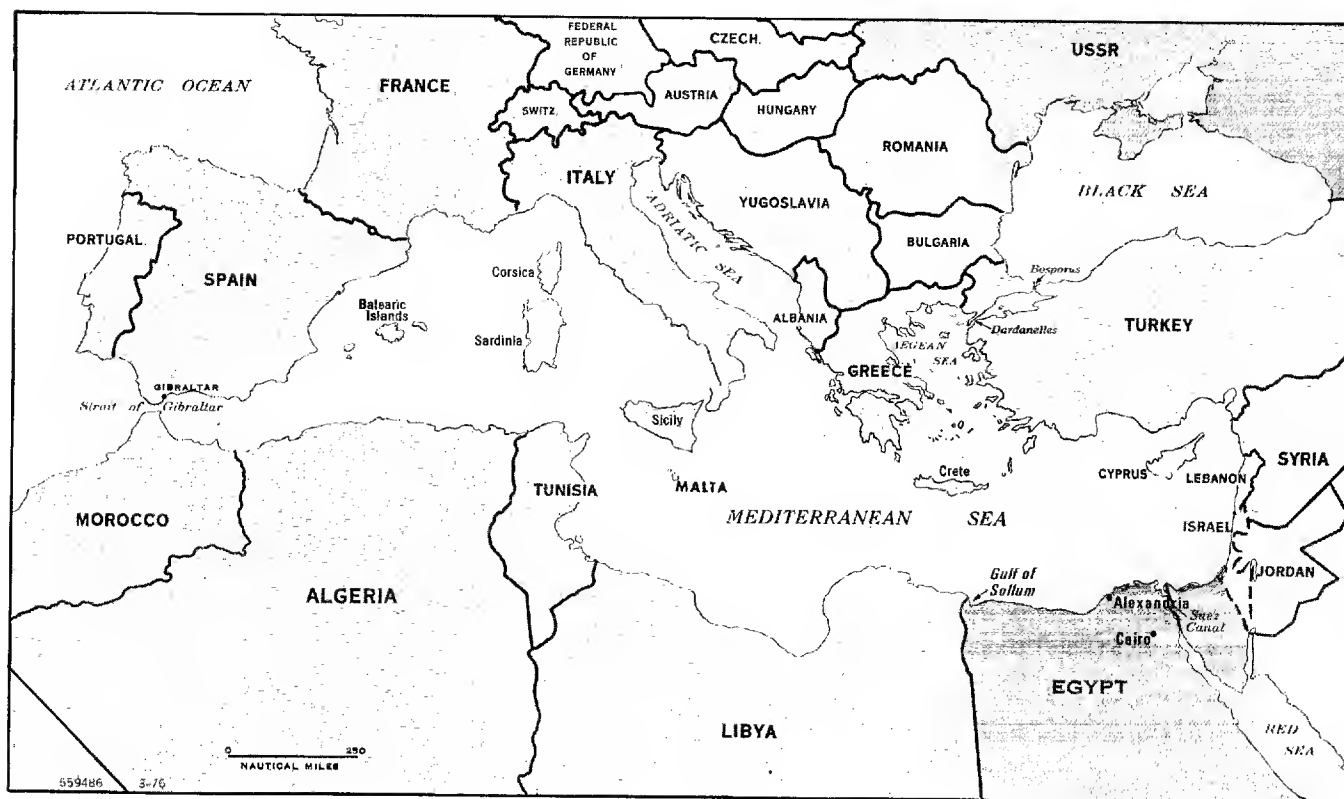
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[REDACTED] Yesterday, Nkomo told the press that Smith's latest franchise proposal would have deferred majority rule for at least 10 years.

Smith, speaking at a separate press conference yesterday, made no reference to his latest proposal, but called on Britain to "actively assist in resolving the constitutional issues." Although Nkomo had previously asked London to convene a constitutional conference, British spokesmen have indicated unwillingness to do so unless Smith commits himself unequivocally to move toward majority rule. Smith, however, has never publicly acknowledged that he would accept a franchise that might bring about majority rule even within as long a period as 25 years. [REDACTED]

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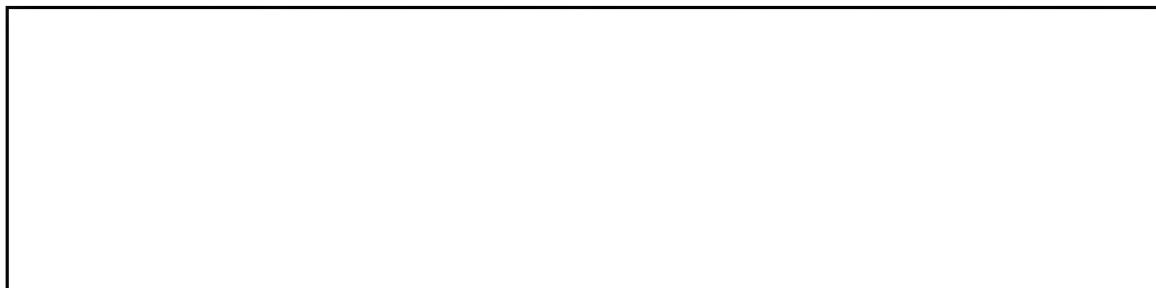
USSR

The Soviet navy has reportedly been given one month to withdraw from the port of Alexandria. The US ambassador in Cairo was told by a high-level Egyptian official that the Soviets were so notified on March 17—only three days after President Sadat's speech abrogating the friendship treaty between Egypt and the Soviet Union. Soviet naval units in Alexandria should have little trouble leaving the port within the time allowed.

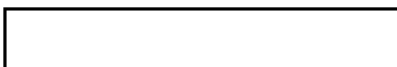


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Five of the 12 Soviet naval units now at the port cannot move under their own power and require the assistance of a tug to leave. Two of the ships—a barracks ship and a large storage barge—have no propulsion systems of their own; the other three units—two F-class submarines and a tug—are in overhaul. Work on one of the submarines, which has been in drydock since early January, may be finished within a month. The other two units are not very far along in overhaul and can probably be made seaworthy within a short period. There are several Soviet tugs in or near Egyptian waters.



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EC

In the first use of the community's new common borrowing facility, EC finance ministers have approved requests for loans of \$1 billion for Italy and \$300 million for Ireland. The EC hopes to complete financing for the loans within a month.

The loans are being funded through four separate borrowing efforts on European capital markets including: a \$300-million six-year Eurobond issue; a seven-year 500-million Deutsche mark bond issue; a five-year \$300-million Eurodollar syndicated loan; and \$500 million worth of privately placed notes. The Deutsche mark bonds are almost fully subscribed, but the \$300-million Eurobond issue is receiving a slow response because of recent exchange rate fluctuations. The syndicated loan is meeting some resistance because the rate spread—1 percent above the London interbank offer rate—is considered too low by many prospective purchasers. The privately placed notes have not been offered yet.

Despite some current buyer resistance, the EC should have no major problems obtaining the funds. EC finance ministers sought extremely favorable rates for the loans but will, if necessary, back off in order to complete the financing package.

EC policy conditions for the Italian loan include ceilings on government expenditures and deficits, as well as limits on domestic credit expansion. Some EC officials are skeptical about Italy's ability to stay with these limits.



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CIEC

The four working commissions of the Conference on International Economic Cooperation began their second round of talks in Paris on Thursday and Friday. The week-long sessions will be more sharply focused than those held in February, but still fall short of the level of specificity most developing states ultimately want.

With an eye on the Nairobi UN Conference on Trade and Development in May—where the full range of demands by the developing countries will be aired—the primary concern of these states will be to maintain a united front during the Paris sessions this month and next.

In the *Energy Commission*, the delegates will study supply-and-demand conditions for energy during the next 15 years, and try to reach a decision on how to conduct a “detailed analysis” of energy prices. The oil producers will concentrate on ways to protect the real value of their oil earnings, while the industrialized states will press for a study of the worldwide impact of oil prices. The oil-poor developing states will go along with the oil producers for now, but some have begun to press for a study of their own oil-related problems.

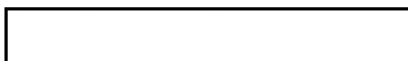
The developing states will be watching the *Raw Materials Commission* carefully for signs of possible concessions by the industrialized states. Topics under consideration include:

- Supply-and-demand conditions for raw materials, including food.
- Problems of markets for raw materials.
- Problems of export revenues of developing states.

Some of the work of the *Development Commission* will overlap that of the Raw Materials Commission. Topics under consideration this week are assistance to developing countries to improve their agricultural and food sectors and the improvement of basic economic and social structures in developing states.

The *Finance Commission* will continue its examination of balance-of-payments problems of developing states which it began in February. The sensitive issue of debt problems of developing states will probably not be discussed until April.

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SOUTH KOREA - UN

South Korea remains pessimistic about its prospects at the UN General Assembly in the fall.

Speaking before the National Assembly this week, Prime Minister Choe criticized UN handling of the Korean issue in recent years and implied that Seoul would not press its case in New York with a new resolution this year. South Korean officials, including President Pak, were upset by the outcome at the UN last year, when Pyongyang's supporters succeeded for the first time in passing a resolution calling for the dissolution of the UN Command and the withdrawal of US military forces.

A pro-Seoul resolution, emphasizing the need to maintain the armistice machinery, also passed but its margin of victory was only eight votes—down from 18 the year before. Seoul doubtless fears that its backers might be unable to secure a majority for a similar resolution this year. Pyongyang, meanwhile, has already launched a diplomatic offensive aimed at picking up additional support, and Seoul may believe there is little hope of preventing a pro - North Korean resolution from passing again this year.



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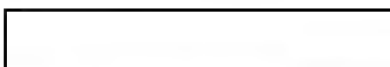
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MALAYSIA

Police in some sections of Kuala Lumpur have been placed on alert following the announcement that a controversial political leader has been removed from his government and party positions. Supporters of former youth leader Datuk Harun bin Idris have threatened to conduct further demonstrations to follow up a noisy rally Thursday night, but police should be able to contain any incidents.

Harun, who was already under indictment on numerous counts of corruption, was re-arrested on March 12 for misappropriation of state funds. On March 18, a special session of the United Malays National Organization Supreme Council ousted Harun from the party, where he was a vice president and head of the youth wing.



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FOR THE RECORD

EGYPT: The only significant change in the cabinet that was formed yesterday is the creation of a new post, deputy prime minister for production. This is in line with President Sadat's attempt to represent the appointment of a new cabinet as a major effort toward resolving economic difficulties, but not much real improvement is anticipated. Most of the other ministers are holdovers from the old cabinet that resigned Thursday. All key ministers retained their old portfolios.

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EC-AFRICA: The EC is expected shortly to approve about \$1.5 million in emergency food aid for southern Africa and Western Sahara. The EC Commission, responding to requests from the International Red Cross and the UN high commissioner for refugees, plans to send \$850,000 worth of powdered milk, cereal, and vegetable oil to Angola and to Zaire for the 30,000 to 60,000 Angolan refugees there. One hundred tons of powdered milk will be sent to Angola immediately; the remainder will be shipped as soon as the Commission receives member-state approval—which is expected shortly. The Commission is also recommending a \$650,000-food aid package for Western Sahara. The aid would be distributed by the International Red Cross and would also benefit Saharan refugees in southern Algeria. EC approval may be delayed somewhat, however, because some member states have raised technical objections to the program.

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MEXICO: Mass demonstrations by opposing labor groups in Mexico City this afternoon pose the threat of violent clashes. Upwards of 20,000 people are expected at the two rallies organized by a government-affiliated labor group and a dissident-leftist faction. Both groups plan to march to the national plaza. Riot police will be on hand in force and should be able to keep the demonstrators separated, but army units have also been alerted in case of serious trouble.

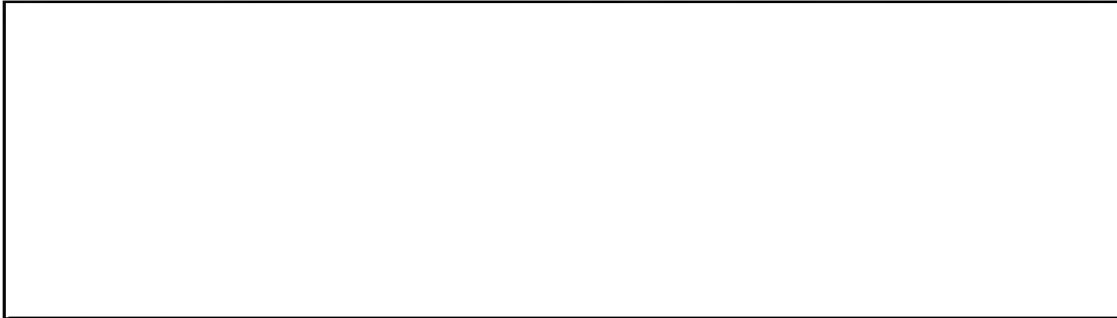
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CAMBODIA: The 250-member People's Representative Assembly will be elected today from a field of 515 Khmer Communist Party candidates. The assembly will rubber-stamp party decisions and will probably name the members of a presidium which, under the new constitution, will represent the government "inside and outside" the country.

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